

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-01 CEA-01 L-02 /088 W
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R 180735Z MAR 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 609

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 1909

BEIRUT PASS USINT BAGHDAD

PARIS PASS OECD

E.O. 11652: GDS

TAGS: EFIN, EAID, US, SA, IBRD

SUBJECT: IBRD PRESIDENT ROBERT MCNAMARA VISIT TO RIYADH

BEGIN SUMMARY: MCNAMARA HAS AGREED TO ASSIST SAUDIS
IN ESTABLISHING THEIR MAJOR NEW ASSISTANCE FUND. IBRD
UNABLE TO STAFF OUT INDIVIDUAL PROJECTS FOR SAG, BUT
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SAUDIS MAY JOIN IN FUNDING SOME OF OVER 1,000 IBRD

PROJECTS NOW UNDER STUDY. WORLD BANK WILL ASSIST KINGDOM IN PLACING SOME OF ITS FUNDS IN SHORT TERM (UNDER 5-YEAR) INVESTMENTS. INCREASE IN IBRD SHARE OWNERSHIP BY SAUDIS TO 2.5 PERCENT BEING CONSIDERED BUT U.S. WILL BE ASKED TO WITHDRAW ITS CONDITIONS REGARDING IDA. SAUDIS DID NOT COMMIT THEMSELVES TO THIRD WINDOW BUT DID NOT RULE IT OUT. WORLD BANK WILL OPEN AN OFFICE IN RIYADH. END SUMMARY

1. IBRD PRESIDENT MCNAMARA TOLD AMBASSADOR MARCH 12 THAT HIS VISIT TO SAUDI ARABIA HAD GONE QUITE WELL; THAT A MEMORANDUM BETWEEN THE BANK AND SAG WAS TO BE SIGNED THAT EVENING ENCOMPASSING MAIN POINTS OF THEIR DISCUSSIONS, WHICH WERE AS FOLLOWS:

A. TECHNICAL ASSISTANCE. SAG REQUESTED THE BANK ASSIST NEWLY FORMED SAUDI DEVELOPMENT FUND(SDF) IN GETTING ESTABLISHED. BANK AGREED IN PRINCIPLE TO ASSIST IN SUCH AREAS AS TRAINING, RECRUITMENT AND PROCEDURAL ARRANGEMENTS. BANK ALSO AGREED CONSIDER ESTABLISHING AN OFFICE IN RIYADH (SEE PARA 2 BELOW). MEMORANDUM ALSO MENTIONS SEVERAL TECHNICAL ASSISTANCE PROJECTS CARRIED OUT OR UNDER WAY BY THE BANK AND ANTICIPATES THAT OTHERS WILL FOLLOW. MCNAMARA SAID HE HAD EMPHASIZED THAT ANY TECHNICAL ASSISTANCE CARRIED OUT BY BANK WOULD HAVE TO BE FULLY REIMBURSEABLE.

B. (1) DEVELOPMENT LOAN PLACEMENT ASSISTANCE. FOLLOWS FROM A. ABOVE. AGREEMENT WAS NOT REACHED IN THIS AREA. SAUDIS APPARENTLY WOULD LIKE BANK UNDERTAKE INVESTIGATION AND EVALUATION OF PROPOSED PROJECTS TO BE FINANCED BY SDF. MCNAMARA REPLIED THEY SIMPLY DID NOT HAVE STAFF OR OTHER RESOURCES UNDERTAKE SUCH ASSISTANCE. HE SAID BANK HAD ABOUT 2000 OFFICERS AND ABOUT 1100 PROJECTS CURRENTLY UNDERWAY OR UNDER STUDY, AND ADDITIONAL ONES SIMPLY COULD NOT BE ADDED TO WORKLOAD. HE DID OFFER, HOWEVER, TO ALLOW SDF PARTICIPATE TO ANY EXTENT DESIRED IN ANY PROJECTS CURRENTLY UNDER STUDY BY BANK. IN THIS WAY SDF WOULD BE GETTING BANK'S EVALUATION EXPERTISE AT NO COST EXCEPT THE POLITICAL

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COST OF SHARING THE CREDIT FOR PROJECTS UNDERTAKEN. MCNAMARA SAID SAUDIS VERY INTERESTED THIS PROPOSAL BUT CLEARLY WOULD PREFER ASSISTANCE IN INDEPENDENT PROJECTS.

B (2) INVESTMENT PLACEMENT ASSISTANCE. TWO SIDES ALSO DISCUSSED POSSIBILITY BANK ASSISTING SAG IN PLACEMENT RELATIVELY SHORT TERM (UNDER FIVE YEARS) INVESTMENTS. BANK HAS UNIQUE CAPABILITY THIS AREA

SINCE IT HAS APPROXIMATELY FIVE AND HALF BILLION DOLLARS OF ITS FUNDS PLACED IN VARIOUS INSTRUMENTS AND CURRENCIES ALL OVER THE WORLD. MCNAMARA SAID HE AGREED ASSIST SAUDIS IN THIS REGARD AND SAID IT WOULD BE A FAIRLY SIMPLE MATTER.

C. INCREASE IN OIL PRODUCERS SHARE PARTICIPATION IN IBRD. MCNAMARA DISCUSSED WITH SAUDIS THE PROPOSAL TO INCREASE SHARE OF "OPEC COUNTRIES" FROM THE CURRENT FIVE PERCENT TO EITHER TEN OR FIFTEEN PERCENT. MCNAMARA TOLD THE SAUDIS HE FULLY SUPPORTED THIS PROPOSAL BUT, HE SAID, HE HAD TO DISABUSE THEM OF THE IMPRESSION THAT HE(AND THE BANK) FAVORED THE PROPOSAL FOR FINANCIAL REASONS. HE SAID EACH FIVE PERCENT WAS ONLY WORTH ABOUT \$200 MILLION, AND IN TODAY'S WORLD THAT WAS NOT A VERY SIGNIFICANT SUM. HE FAVORED THE PROPOSAL AS A REFLECTION OF CHANGING FINANCIAL STRENGTHS. HE SAID THERE WERE MANY TECHNICAL PROBLEMS TO BE WORKED OUT, INCLUDING APPORTIONING THE CHANGES IN RELATIVE VOTING STRENGTHS AND CHANGES IN THE TWENTY-MAN BOARD OF DIRECTORS. REGARDING THE LATTER ISSUE, HE MUSED THAT IN ORDER TO SATISFY CERTAIN OTHER OBJECTIVES IT MIGHT BE NECESSARY TO INCREASE THE NUMBER OF DIRECTORS. MCNAMARA ALSO SAID THE U.S. POSITION OF CAUTIOUS SUPPORT TO THE PROPOSAL, PROVIDED THE OPEC COUNTRIES GAVE CERTAIN GUARANTEES RELATIVE TO IDA, WAS NOT REASONABLE AND WAS DISCRIMINATORY, SINCE SIMILAR GUARANTEES HAD NOT BEEN EXTRACTED FROM OTHER COUNTRIES. HE SAID THE SAUDIS SPECIFICALLY MENTIONED THIS POINT. HE TOLD THE AMBASSADOR HE WOULD ENDEAVOR TO GET US TO WITHDRAW THIS CONDITION. SAUDIS SAID THEY WERE PREPARED INCREASE THEIR PARTICIPATION BY WHATEVER AMOUNT

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MIGHT BE DECIDED UPON. MCNAMARA TOLD AMBASSADOR HE THOUGHT SAUDIS SHARE MIGHT GO FROM CURRENT 0.4 PERCENT TO ABOUT 2.5 PERCENT.

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R 180735Z MAR 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 610

INFO AMEMBASSY ABU DHABI

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 1909

BEIRUT PASS USINT BAGHDAD

PARIS PASS OECD

D. PROPOSED "THIRD WINDOW." MCNAMARA SAID HE
DISCUSSED WITH SAUDIS "THIRD WINDOW" PROPOSAL WHERE-
BY FUND WOULD BE CREATED TO SUBSIDIZE LESS-THAN-
GOING-RATE LOANS TO UNDERDEVELOPED COUNTRIES. HE
SAID THIS FUND WOULD REQUIRE ABOUT \$200-\$250 MILLION
TO SUBSIDIZE \$1 BILLION IN LOANS. HE SAID WHEN
HE WAS IN KUWAIT KUWAITIS AGREED TO CONTRIBUTE
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\$25 MILLION IF THE SAUDIS WOULD PUT UP \$35 MILLION.
MCNAMARA SAID THE SAUDIS WERE VERY INTERESTED
AND RECEPTIVE BUT BACKED OFF FROM COMMITTING A
SPECIFIC AMOUNT. THEY SAID IT WOULD HAVE TO AWAIT
COMPLETION OF PREPARATION OF NEXT YEAR'S BUDGET.
(AN OBVIOUS SUBTERFUGE, BUT A WAY OF WITHHOLDING

FINAL DECISION.)

E. FINANCING IBRD BORROWING. MCNAMARA DISCUSSED WITH THE SAUDIS WHETHER THEY WOULD BE PREPARED FINANCE \$1 BILLION OF THE \$4 BILLION BANK INTENDS BORROW NEXT YEAR. HE SAID LAST YEAR THE SAUDIS PICKED UP \$900 MILLION. AGAIN THE SAUDIS WERE ENCOURAGING BUT AVOIDED COMMITTING THEMSELVES.

2. REGARDING QUESTION OF BANK'S OPENING AN OFFICE IN RIYADH, MCNAMARA SAID HE VERY HESITANT TO DO SO, BUT HAD AGREED. HE SAID OFFICE WOULD BE VERY SMALL, TWO TO FOUR PEOPLE. HE IS VERY CONCERNED TO FIND RIGHT PERSON TO HEAD THE OFFICE. IT IS VERY DIFFICULT TO FIND A TECHNICALLY COMPETENT MAN WHO ALSO HAS SUFFICIENT POLITICAL SAVVY TO SMELL FIRST SIGNS OF TROUBLE. HE THOUGHT THEY MIGHT HAVE SUCH A MAN, BUT HE IS EGYPTIAN AND MCNAMARA WAS AFRAID THAT MIGHT NOT GO OVER HERE. AMBASSADOR SAID HE ALSO THOUGHT THAT MIGHT BE A BAD CHOICE.

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